are rising for the last four months. I have the figures here which I can share with the House....(*Interruptions*) I am only quoting the official figures. Everybody has been quoting figures....(*Interruptions*)

SHRI ASHOK MITRA: I have got newspaper reports which show....(*Interruptions*)

SHRI YASHWANT SINHA: Mr. Ashok Mitra, when you were the Chief Economic Adviser, you were also quoting official reports. Everybody has to go by the official statistics. There is no other statistics to go about. Sir, the hon. Member has given a number of suggestions while putting his question. They are suggestions for action and we take note of them.

SHRI S.R. BOMMAI: Sir, apart from the reasons given of prolonged wet spell and hot spell, does the Finance Minister know that these are not the only reasons? Sometimes a grower is compelled to make a distress sale of the commodity which he has grown and the consumer has to pay the highest price. And it is the middlemen who sometimes hoard things and create artificial scarcity so as to get the maximum profit. Is the Government aware of this fact and will it take firm steps to prevent it by strengthening the Public Distribution System and by providing sufficient stocks in all the centres?

SHRI YASHWANT SINHA: Sir, we are aware of the fact that at times, specially at difficult times, hoarding does take place. We are aware of the fact that at times an agriculturist is forced to sell his produce at distress price because he has nowhere to go. But I would like to assure the hon. Member that it was this awareness which prompted my colleague, the Minister for Food and Consumer Affairs, to write to the Chief Ministers of all the States and to ask them to use the provisions of the Essential Commodities Act and the Prevention of Black-marketing and Food Adulteration Act. Both these Acts are enforced. My colleague has written to all the Chief Ministers to enforce both these Acts wherever they feel that any trader or any one is indulging in hoarding or is trying to take undue advantage of the prevailing situation.

MR. CHAIRMAN: I know that it is a very sensitive subject of the common people. A number of Members want to question the Government on this. We will have a Calling Attention Motion on this subject for one hour.

Financial Irregularities in Dunlop India Ltd.

*482. SHRI DIPANKAR MUKHERJEE:
SHRI NILOTPAL BASU:

Will the Minister of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government's attention has been drawn to a news-item captioned "Government seeks CLB help for DIL appointments" which appeared in Economic Times dated 27th April, 1998 regarding appointment of nine Additional Directors on the Board of Dunlop India Limited;

(b) whether Government's present nominee in the Board had apprised Government about the alleged financial iregularities in the company;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI M. THAMBI DURAI): (a) to (d) A Statement is laid on the Table of the House.

Statement

(a) Yes, Sir.

(b) and (c) There is no Government Director on the Board of the Company. However, Shri R.N. Tripathi, LIC nominee inducted on the Board of the Company w.e.f. 22.11.1997 has reported

after attending the Board of Directors meeting held on 17.3.1998 as under:-

(i) The company has a liability of Rs. 7.40 crores on account of fixed deposits which have matured upto February, 1998. These have become overdue and overdue interest has accumulated to the extent of Rs. 79 lakhs. The company has no funds to pay out these liabilities;

(ii) The company is facing certain legal cases from creditors who have applied for the winding up proceedings of the company for realisation of their dues; and

(iii) LIC has exposure in the company in the form of debentures (Rs. 294.25 lakhs) alongwith other investment institutions like UTI (Rs. 174.81 lakhs) and GIC (Rs. 89.91 lakhs). Since the company was not repaying principal amount of debentures due on 15.11.1996 and is defaulting in payment of interest, reminders were sent to the company at regular intervals. The Company's request for deferment of debentures was not acceded to by Institutions as it was defaulting in payment of institutional dues. The institutions have not agreed to release charge on company's properties since it is defaulting in payment of dues to the debenture-holders. The institutions have addressed letters to debenture trustee ANZ GRINDLAYS BANK not to release charge on the properties without obtaining prior consent of debenture-holders.

(d) Does not arise.

The question was actually asked on the floor of the House by Shri Dipankar Mukherjee.

SHRI DIPANKAR MUKHERJEE: Sir, we discussed about this Dunlop issue on the 1st of June in detail. There was a unanimity that there had been financial diversion and financial irregularities. I am thankful to the Minister because the department of Company Affairs, on getting the complaint, had investigated the matter and *prima facie* they have found a case of financial irregularity and they have also approached the Company Law Board for inclusion of nine Government directors. I am thankful to this Ministry.

Today, my question relates to the role of the minority shareholder. LIC has an equity of 19.64% in Dunlop. GIC has 6.07%. UTI has 3.70%. The total comes to about 29% equity. They have only one nominee on the Board, that is, the LIC nominee. I wanted to know about his role. Now, in your reply something about the presence of the Board nominee has been said. But for your information, I have this letter which I got from the Chairman of LIC. I quote from this letter.

> "The LIC nominee, who was inducted in the Board in December, 1997, was not present in the first meeting on 25.12.97. He was not present in the next meeting on 12th January, 1998".

And that is the day on which the Company decided that this should be referred to BIFR. He was not present on 12.1.1998. He was not present on 27.2.1998. He was not present on 17.2.198. Then, I had written three letters, and thanks of Mr. Kumar, who was the Minister at that time, he had intervened and to a reply to my letter. After that on 17th March, he had been present there. So, my first supplementary is this. Now that the Department of Company Affairs has gone to the Company Law Board, I would like to know whether any information is available with him that LIC as a 30% shareholder had approached the Company Law Board either under section 388 or under section 235 of the Companies Act to either change the managerial personnel or appoint inspectors for looking into charges of financial irregularities; which were known to the unions and all others, including the banking institutions. I would like to know whether there was any such communication from LIC to the Company Law Board for enquiring into

the affairs before you went or after you went and whether they have done anything regarding financial irregularities.

SHRI M. THAMBI DURAI: Mr. Chairman, Sir, as far as our Ministry That is why when the hearing came on 9.7.1998, at that time because we could not get a reply from other directors of the Board, the hearing got further postponed to 17.9.1998.

SHRI DIPANKAR MUKHERJEE: Thank you. Sir, the Government is an indivisible entity. The Govertnment is an indivisible entity irrespective of Cauvery. If you kindly allow me, Sir, I would like to quote from the procedings of this House on 11.6.1998. I will quote just three sentences of the hon. Finance Minister, who is present here. He had said, "I would only recommend that my learned colleagues on the Left should go and study the Companies Act. It clearly lays down the rights of anyone who owns 26% shares in a company. Anyone who is familiar with the Companies Act would say that 26% shares give you the kind of role which, I again say with all sense of responsibility, this Government wants to have". Keeping in view the rights of its 26 per cent shareholders in the company, in this case 29 odd per cent shares are there from the LIC and other financial institutions, would the hon. Minister kindly assure that an inquiry would be immediately made to see whether the hon. Finance Minister's assertion that this active role with 26 per cent shareholders has been discharged by the LIC's nominee on the Board or by the LIC as a whole? Would he assure us of an inquiry into the whole thing?

SHRI M. THAMBI DURAI: Sir, the hon. Member is asking about the Finance Minister's assurance. He also wants to know whether the Finance Minister would give an assurance to the House for conducting an inquiry into the role of LIC nominee in the Board. As far as our Ministry is concerned, I have informed the House whatever we have done in this regard. If some further information is sought, a separate question can be put to the Finance Ministry.

SHRI JANARDHANA POOJARY: The Finance Minister is here. It was his statement which was referred to.

SHRI M. THAMBI DURAI: No, no. I am saying that the hon. Member can put a separate question.

SHRI JANARDHANA POOJARY: The Finance Minister can answer it. The LIC is under the Ministry of Finance. He can reply to this question. ...(Interruptions)...

SHRI M. THAMBI DURAI: That is the main thing. Whatever action has been taken by my Ministry, I have explained. If it is related to the Finance Minister, a separate question should be put. If he yields right now, it is up to him. is concerned, we have given a reply regarding the actions that we have taken. Now, LIC has not approached the Company law Board on this matter. Based on a complaint, our Ministry went to find out the irregularities of Dunlop India. Afterwards, we filed our petition before CLB. We have received a reply from the Company that they have also filed its reply. Then the Government has also given its rejoinder. In fact, the directors of the company, including the LIC nominee, have not yet replied. ...(Interruptions)...

MR, CHAIRMAN: Shri R.K. Kumar. ...(Interruptions)...

SHRI R.K. KUMAR: Sir, this is an important question.

MR. CHAIRMAN: Sorry. Mr. Nilotpal Basu's name is also there.

SHRI NILOTPAL BASU: My name is there in the list. Mr. Chairman, Sir, it is precisely for this reason that the notice was addressed, in fact, to the Finance Ministry. But, we have been informed by the Secretariat that when this question was referred to the Finance Ministry, the Finance Ministry took this position that this question does not concern them, and it should be referred to the Department

of Company Affairs. I have in my possession a copy of a letter referred to us by the Secretariat from the Ministry of Finance—Mr. A.K. Jain, must be a Joint Secretary—addressed to Mr. Krishnamurthy, Secretary, Department of Company Affairs. Here, the Finance Ministry makes it very clear, "Since the subject matter of the question pertains to the Department of Company Affairs, we would request you to kindly accept the transfer of the question under intimation to the Rajya Sabha Secretariat, Question. Branch and this Department." Therefore, when the Department of Company Affairs have accepted this position, they have accepted also the responsibility of any duty arising thereof in terms of the sense of the House and the question arising from the supplementaries thereof. So, with full knowledge that these have implications for the Finance Ministry, the Finance Ministry has resorted to an evading game and the Department of Company Affairs has accepted this responsibility. So, in all fairness, the Government should be in a position to announce and assure the House that this scandalous thing that has been happening—of transfer, economic offences, transfer of resources, siphoning off resources and that too of public money, with 30 per cent equity representation, LIC was acting as a trustee to that—would be stopped. Mr. Chairman, Sir, the Government should be in a position, and if not, I would also ask you to institute a House Committee into this whole affair.

SHRI M. THAMBI DURAI: Sir, I have already made it clear to the House that as soon as we received the complaint from the union of Dunlop Company, we inspected and found out the irregularities which were there.

Based on that, the department has already taken action. Prosecution has been lying in the court of the Chief Metropolitan Magistrate, Calcutta. We have also approached the Company Law Board for the appointment of directors to protect ther interests of share-holders as well as workers. We are taking care of that point. For that we have moved to appoint nine directors to protect the interests of the company on the Government side and this case is still pending before the Company Law Board. We have also written a letter to the Company Law Board to prepone the hearing before September. They have posted it for the 17th and 18th September but we requested the Company Law board to prepone it so that we can take necessary action. *(Interruptions)* Regarding the enquiry...*(Interruptions)*

SHRI NILOTPAL BASU: There has been a major negligence of responsibilities so far as the nominated Director of the LIC is concerned. *(Interruptions)* This kind of evading of the responsibilities by the Finance Minister is not understandable by us. *(Interruptions)* Sir, we do not understand and you have to protect us. *(Interruptions)*

SHRI DIPANKAR MUKHERJEE: Mr. Yashwant Sinha is an honest man. I tell you,' he will not mind giving an assurance. He will not mind. दूध का दूध पानी का पानी हो जाएगा, हमको कोई आपत्ति नहीं है।

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, this is normally not done that when two Ministers happen to be present in the House, a question or a supplementary is referred to the other Minister.

This is not done. This is not my experience. I think, it is not all within the procedures of this House, for the hon. Members to challenge me and say that I must answer this question. *(Interruptions)*

SHRI NILOTPAL BASU: We are not saying that. *(Interruptions)*

SHRI YASHWANT SINHA: I have heard you, Sir. I have heard you with rapt attention. Please give me a minute. *(Interruptions)* Please give me a minute.

(Interruptions) I am raising a very important point of procedure. *(Interruptions)* Sir, they have raised important issues of procedure and, I think, it is very important for this House to settle those issues of procedure. I am referring to this because I got a letter from the Secretary-General of this House last night saying that I must be ready to answer a supplementary on this Question. I must say that I was surprised because if I were answering questions on price rise I could not have brought my colleagues like Food Minister and Consumer Affairs Minister and say that he must be by me side to be able to answer the Question; or, if he were present, the House could not have requested him, that it concerns him or the Agriculture Minister and so he must get up and answer. The Minister will answer within his competence and if he cannot answer, he will say that he would discuss the matter with his colleague. I think, you are taking an unfair advantage of my presence in this House in this regard. Having clarified this matter, I would like to say that...*(Interruptions)*

MR. CHAIRMAN: Let him complete. *(Interruptions)* Let him complete. *(Interruptions)*

SHRI NILOTPAL BASU: He is levelling a charge, Sir. *(Interruptions)*

MR. CHAIRMAN: He will look into that. *(Interruptions)* Let him complete the answer.

SHRI YASHWANT SINHA: I would like to come to the substantive part of the issue raised here. The substantive part is in regard to the role of the LIC Director on the Board of Dunlop. Let me say that this Government has absolutely nothing to hide in this regard. When the LIC Director was on the Board and on all those days to which you are referring that he did not attend the meeting, not one of them was when we came into power. It was all before and, therefore, I have no hesitation whatsoever in assuring this House that we shall enquire into the role of the LIC Director on the Dunlop Board and see whether he functioned according to the guidelines or not.

SHRI NILOTPAL BASU: Sir, a point of procedure. *(Interruptions)*

MR. CHAIRMAN: That we will settle later. *(Interruptions)*

SHRI R.K. KUMAR: Sir, the important question in the Dunlop case is that there has been a serious fudging of books. The company had been making profits in the earlier years. For the first half year also it was and by a twist of pen, profits are shown as losses and the company is referred to the BIFR. Now, under the same management, a few years back, if I remember right, in 1990 this happened with another company called Genelec, General Electric Company under the same management of Chhabrias.

The same thing happened and there were profits in the balance-sheets of the last three years. The management of the company went before the BIFR and stated that the profits declared were all bogus and they were really incurring losses. They wanted this and that relief. I would like to know from the Minister of Law, Justice and Company Affairs whether the Government will order an inspection under section 209(a). If there had been any fudging in the books, bring the culprits to book. That is all.

SHRI M. THAMBI DURAI: Sir, I have already assured the House in this regard. After an inspection under section 209 (a) we have found that some irregularities are there and for that we have already launched prosecution proceedings in the court of Chief Metropolitan Magistrate, Calcutta. We have also approached the Company Law board to take necessary action in this regard. We have already conducted an inspection and we have found many irregularities. Therefore, we are taking action on them.

SHRI GURUDAS DASGUPTA: Sir, the hon. Minister is not coming to the core of the problem. Sir, it is a fact that

the representatives of the financial institutions had failed to discharge their duties and the Government and the Ministry had not been able to restrain them—whoever might be in the Government. But, there is another important point and that important point is that Chhabria, the owner of this company had been taking the country for a ride. He had diverted the funds of Shaw Wallace. He made a number of other companies sick. Persistent reports were made to the Government but nothing was done. Now the Government is taking a difficult route to discipline the delinquent owners. This is a difficult route. The Government is interested in appointing nine directors. But, there is another route, a very straight route. In the past when it was found that the management of a particular company had been acting against the interests of the shareholders, the Government had straightway taken over the management. The management of Bennett Coleman & Company was taken over. The management of a number of other companies was taken over. Therefore, in this particular case when the guilt and criminality of the management had been proved beyond dout, he is avoiding arrest by staying in a different country. I would like to know from the Government as to what the Government is going to do to extradite and bring him to this country to face the rule of law. This is the first part. Secondly, I would like to know as to why the Government is not invoking the provision of the Company Law to take over Dunlop Company downright, immediately because this is affecting the economy of our State, this is affecting thousands of workers who are there without job, without money and without work. The Dunlop Company is having enought orders. It is a day-light robbery which is being committed. I would like to know as to why the Government is taking a difficult route and not taking over the management immediately. I would also like to know as to what is being done to bring him to this country so that he faces the rule of law.

SHRI M. THAMBI DURAI: Regarding diversion of funds, I would like to say that it is a fact that a lot of funds of Dunlop Company were divereted to its sister concerns. They also failed to collect the arrears. It is also a fact that due to this mismanagement this kind of a difficulty has arisen. I think previously also a question was raised in this House and the Minister of Industry replied to that question. This question was with regard to taking over the management and what the position was. He answered that under section 18AA of the Industries Development and Regulation Act, 1991 it is provided that the Central Government can take over any industry or undertaking in certain cases. That is a fact.

SHRI GURUDAS DASGUPTA: This is a fit case for application of this provisions. ...*(Interruptions)*...

SHRI M. THAMBI DURAI: But as has been reported by the Industry Ministry in its Annual Report of 1996-97, the policy of the Government is not to take over any sick unit.

SHRI GURUDAS DASGUPTA: This is not a sick unit. ...*(Interruptions)*... Sir, we seek your protection. This is not a sick unit. The delinquent management had diverted the funds and made it appear as a sick unit. ...*(Interruptions)*... But this is not a sick unit. The hon. Minister must clarify that point. Otherwise, there is going to be wrong signal. This is not a sick unit ...*(Interruptions)*... This is not a sick unit.

SHRI NILOTPAL BASU: Sir, this is not at all a sick unit. ...*(Interruptions)*...

SHRI M. THAMBI DURAI: Sir, this happened at the time of the previous Government...*(Interruptions)*...

SHRI GURUDAS DASGUPTA: Let us know as to what is your policy...*(Interruptions)*...

SHRI M. THAMBI DURAI: Our policy is...*(Interruptions)*...

SHRI GURUDAS DASGUPTA: Why are your faultering in taking over the management downright as a temporary measure? We do not ask the Government to take over permanently. But, as a temporary measure, why should not the Government take-over the management and why is the law not applied?

SHRI M. THAMBI DURAI: In this regard, as far as the Ministry of Company Affairs is concerned, we cannot take over; only the Ministry of Industry has to make a policy...*(Interruptions)*...I am telling you...*(Interruptions)*... It is they who have to decide...*(Interruptions)*...

SHRI GURUDAS DASGUPTA: Sir, again, he is trying to pass buck...*(Interruptions)*... What is this?...*(Interruptions)*...

SHRI M. THAMBI DURAI: Sir, it is they who have to decide...*(Interruptions)*...

प्रो॰ विजय कुमार मल्होत्रा: एक साल तक ये क्या करते रहे? .....(व्यवधान)..... Why have you not done it? आपने क्यों नहीं किया? .....(व्यवधान)..... All of you were sitting over here ...*(Interruptions)*...

SHRI GURUDAS DASGUPTA: Sir, that is not the point.

THE LEADER OF THE HOUSE (SHRI SIKANDER BAKHT): Sir, ...*(Interruptions)*... Just a minute...*(Interruptions)*...This question had come up while I was answering the Questions here, in this House. I had agreed with whatever was the grievance and complaint of the hon. Members that it was absolutely right. But, they are forgetting that I told them that Mr. Chhabria and his team of directors in Dunlop Company had not only diverted the funds but also played the trick of referring the case to the BIFR. Now it is under the BIFR. It is true that it is not sick and they had tried their best to make it sick because of their irregularities. The Government recognised it and right now, there are legal constraints for the Government taking over the company. We are totally aware of the fact and we are going to save the company. Do not bother.

SHRI GURUDAS DASGUPTA: Sir, people are starving ...*(Interruptions)*... Then, what about the extradition of Mr. Chhabria? ...*(Interruptions)*...

SHRI M. THAMBI DURAI: Sir, we will pass it on to the Ministry concerned. I will find out what action they are going to take, and let him know...*(Interruptions)*...

SHRI JAYANT KUMAR MALHOUTRA: Sir, this group has been found cheating, diverting funds and doing all kinds of irregularities. Actually, they had sent a number of good companies blue-chip companies to the BIFR and the Government has done nothing and now they are pleading helplessness because these companies are in the BIFR. My question is, there are blue-chip companies which are about to be taken to the BIFR. Will this Government, which has been pro-active in other areas, take steps to take over such companies such as Shaw Wallace, and this, which are not yet with the BIFR but will be candidates for the BIFR in six months from now?

SHRI M. THAMBI DURAI: I will pass it on to the Ministry concerned.

Imposters posing as Income Tax/Excise Officers

*483. SHRI SANJAY NIRUPAM: Will the Minister of FINANCE be pleased to state:

whether Government are aware that in Bhiwandi, Maharashtra, imposters posing as Income Tax and Excise Officers, after threatening local traders and manufacturers, are collecting large sums of money from them;

(b) whether as a result thereof Government are losing crores of rupees of excise duty as manufactured goods are taken out of premises of factories without paying due excise duty; and